

DD/OLL

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Package for Managers as a Guideline for Development of Goals, Principles, and Standards for the CIA

FROM:

Harry E. Fitzwater
Deputy Director for Administration
7D 24 Hqs

EXTENSION

NO.

DDA 84-0217/3

DATE

25 January 1984

STAT

TO: (Officer designation, room number, and building)	DATE		OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
	RECEIVED	FORWARDED		
1. Director, Office of Legislative Liaison 7D 45 Hqs	25 JAN 1984			
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				

FORM 610
(-79)

610

USE PREVIOUS EDITIONS

Registry file
SEA Binders

DDA 84-0217/3

25 January 1984

MEMORANDUM FOR: Executive Director
Deputy Director for Intelligence
Deputy Director for Operations
Deputy Director for Science and Technology
General Counsel
Inspector General
Director, Office of Legislative Liaison
Comptroller
Director, Public Affairs Office

FROM: Harry E. Fitzwater
Deputy Director for Administration

SUBJECT: Package for Managers as a Guideline for Development
of Goals, Principles, and Standards for the CIA

1. Attached are the packages that the DCI referred to during his speech on 24 January 1984. The distribution of these packages within your organization and the manner in which you get your people involved is left to you. You will recall that the DCI wants ". . . from every corner of the organization, a broad examination of what we are about, what it is we want to foster and encourage, and the kind of things we can do to accomplish that. From this we will develop a statement of purpose applicable to this organization, to our mission, to the kind of customers we serve, and to the kind of work environment and tasks which our mission requires."

2. Your inputs to the Director should be approximately two pages and provided to the Deputy Director for Administration not later than COB 22 February 1984.

3. I have also attached copies of the DCI's speech for you to distribute within your organization for a better understanding of the Director's purpose and desires.

STAT


Harry E. Fitzwater

Attachments

cc: Executive Secretary

DCI
24 January 1984

PACKAGE FOR MANAGERS

Tab

- A Draft of CIA Objectives
- B Samples of Statements of Purpose
- Boeing
 - IBM
 - Hewlett-Packard
 - Norton Company
 - Bechtel
- C How Star Corporate Performers Do It
(Summarized from In Search of Excellence:
Lessons from America's Best Run Companies,
by Peters and Waterman which has for months
taken first place on best seller lists away
from various guides to making love, making
money and eating well without getting fat)

A

A critical ingredient in the success of an institution is its ability to articulate the principles that provide the framework in which it operates. As the Central Intelligence Agency grows and becomes increasingly complex and specialized, a greater effort is required to establish its corporate identity and create broad understanding of its purposes, principles and standards. There follows an initial draft of such a statement designed to be critiqued and improved and generate thought and discussion in every corner of the organization on what we're about and how the qualities which make CIA a standout in excellence of performance can best be strengthened and extended at all levels and in all areas.

STATEMENT OF GOALS, PRINCIPLES AND STANDARDS FOR CIA

Purpose. To provide accurate, comprehensive intelligence support to a broad range of consumers in a timely manner and in a form to be of greatest utility. No matter what job we have or the nature of our immediate tasks, our independent and collective efforts are all directed towards this purpose.

Organization. The CIA is made up of operating elements that are critically dependent on one another to support their individual and joint activities. Each element's departmental and national responsibilities are respected and, in turn, will undertake to contribute to and make use of the role and performance of other relevant elements.

Ethics. Our activities are conducted under the Constitution and laws of the United States. The nature of our work is such that every member of the Agency must be aware of and sensitive to the letter and spirit of this legal context, and manifest the highest degree of integrity in performance and conduct.

People. CIA's people are the root source of its capabilities. The strength of the organization is dependent on the quality of its people, and its future is related to the opportunities it affords for their professional and personal growth. Skills are recognized and fostered through training, travel and assignments; management personnel are selected for their ability to inspire enthusiasm and promote excellence based on their own performance.

Management. CIA's operating style is to foster initiatives and creativity by allowing the individual great freedom of action in attaining well-defined objectives, while requiring efficiency, accountability, and results at all levels.

Measure of Results. Business organizations measure results in profits, return on investment and capital growth required to deliver the expanded and improved service which further increases profit and capital value. This is achieved by meeting the needs of customers more satisfactorily than alternative sources. As a public service, this organization does not have profitability

and capital value to measure its results. Still, its results are in the satisfaction of its customers in the value, relevance, and timeliness of the intelligence and operational inputs they receive. Those results come from the qualities of its people and their creativity, dedication, and success in utilizing technology and resources to collect, analyze, and apply information and judgment to foster the security and prosperity of the United States. The resources needed to achieve those results come from the way the President and the Congress and the public assess and value these results.

Standards. We seek to exemplify in everything we do:

- performance of the highest quality;
- ethics and integrity of the highest order;
- development of outstanding skills, confidence, and personal resources in our people;
- utilization of the most effective technologies;
- capability and flexibility to meet tough and sudden challenges;
- leadership and recognition as the best intelligence service in the world.

B

BOEING

Qualitative Goals

- Achieve and maintain excellent quality of management.
- Maintain and enhance our reputation for quality of products and services.
- Stimulate innovativeness throughout the company.
- Strive to insure that the public views Boeing as an attractive long-term investment.
- Preserve and enhance our financial soundness.
- Always seek to attract, develop and retain talented people.
- Exhibit community and environmental responsibility.
- Manage corporate assets so as to preserve and grow them.

Classes of Goals

- Beliefs: These represent what we are, and we want to stay that way.
 - Publish widely and reinforce regularly.
- Objectives: These describe, in subjective terms, where we would like to be.
 - Publish to 90-series annually, reinforce other ways.
- Targets: These are quantifiable goals.
 - Publish only to restricted group who can do something about them.

Beliefs

- We are a producer of very high quality goods and services.
- We have outstanding ethics and integrity.
- We always strive to be a positive economic, intellectual and social influence on any community in which we operate and will attempt to limit any negative aspects of our presence.
- We recognize talented people are our most important asset; therefore, we will.
 - Set a creative and productive environment.
 - Provide each individual the maximum opportunity for growth through training and job assignments.
 - Promote and compensate only by merit unless constrained by collective bargaining agreements.

Boeing (continued)

- We seek tough challenges demanding excellent management and high technology.
- We strive to perform all tasks in a superior fashion.

Objectives

- Posture ourselves to capitalize on the changing environment, automation, technology, etc., between now and 2000.

- Develop multi-state and multi-nation presence to preserve and enhance our success.

- When we decide to compete in any market, provide excellent products and services at attractive prices so as to achieve an eminent and profitable position in that market.

- Evolve into a more diverse business (without becoming a conglomerate) so as to maximize growth and minimize the impact of maturing or vulnerable product lines.

IBM

A Business and Its Beliefs

- Any organization, to survive and succeed, must have a sound set of beliefs guiding all its policies and actions.

- The most important single factor in corporate success is faithful adherence to those beliefs.

- To meet the challenges of a changing world, an organization must be prepared to change everything about itself except those beliefs.

Respect for the Individual

- Job security.
- Above-average benefits.
- Open-door policy.
- Managers help employees.
- Promote from within.
- Accept "Wild Ducks"

The Best Customer Service in the World

- Adapt equipment to customer.
- The customer's problem must be solved.

Strive to Accomplish All Tasks in a Superior Fashion

- It is better to aim at perfection and miss.
- Be willing to try seemingly impossible tasks.
- A loss is a personal affront.

Faithful Adherence to Beliefs

- Retraining for technological change - up to 25 percent at once.
- Management training in beliefs, then skills.
- Everyone on straight salary, no hourly.

IBM (continued)

- Retain the "small company" character.
 - Human touches.
 - Communication both ways.
 - Risk-taking by middle managers.
- Company comes before all subsets.

Principles

- Same three as 1962.
- Managers must lead effectively.
 - Plan for the future.
- Obligations to stockholders.
 - ROI and growth.
- Fair deal for the supplier.
 - Avoid dependence by supplier.
- Be a good corporate citizen.
 - Community, nation and world.

Basic Business Goals

- Be the product leader--excel in technology, reliability, maintainability and value.
- Be the most efficient company in this industry, in all respects.
- Compete in, and grow with, all aspects of the information industry.

HEWLETT-PACKARD

THE ORGANIZATIONAL FRAMEWORK FOR OUR OBJECTIVES

The achievements of an organization are the result of the combined efforts of each individual in the organization working toward common objectives. These objectives should be realistic, should be clearly understood by everyone in the organization, and should reflect the organization's basic character and personality.

If the organization is to fulfill its objectives, it should strive to meet certain other fundamental requirements:

FIRST, there should be highly capable, innovative people throughout the organization. Moreover, these people should have the opportunity—through continuing programs of training and education—to upgrade their skills and capabilities. This is especially important in a technical business where the rate of progress is rapid. Techniques that are good today will be outdated in the future, and people should always be looking for new and better ways to do their work.

SECOND, the organization should have objectives and leadership which generate enthusiasm at all levels. People in important management positions should not only be enthusiastic themselves, they should be selected for their ability to engender enthusiasm among their associates. There can be no place, especially among the people charged with management responsibility, for half-hearted interest or half-hearted effort.

THIRD, the organization should conduct its affairs with uncompromising honesty and integrity. People at every level should be expected to adhere to the highest standards of business ethics, and to understand that anything less is totally unacceptable. As a practical matter, ethical conduct cannot be assured by written policies or codes; it must be an integral part of the organization, a deeply ingrained tradition that is passed from one generation of employees to another.

FOURTH, even though an organization is made up of people fully meeting the first three requirements, all levels should work in unison toward common objectives, recognizing that it is only through effective, cooperative effort that the ultimate in efficiency and achievement can be obtained.

It has been our policy at Hewlett-Packard not to have a tight military-type organization, but rather to have overall objectives which are clearly stated and agreed upon, and to give people the freedom to work toward those goals in ways they determine best for their own areas of responsibility.

Our Hewlett-Packard objectives were initially published in 1957. Since then they have been modified from time to time, reflecting the changing nature of our business and social environment. This booklet represents the latest updating of our objectives. We hope you find them informative and useful.

Hewlett-Packard (continued)

THE OBJECTIVES

1. PROFIT

OBJECTIVE: To achieve sufficient profit to finance our company growth and to provide the resources we need to achieve our other corporate objectives.

In our economic system, the profit we generate from our operations is the ultimate source of the funds we need to prosper and grow. It is the one absolutely essential measure of our corporate performance over the long term. Only if we continue to meet our profit objective can we achieve our other corporate objectives.

Our long-standing policy has been to reinvest most of our profits and to depend on this reinvestment, plus funds from employee stock purchases and other cash flow items, to finance our growth.

Profits vary from year to year, of course, reflecting changing economic conditions and varying demands for our products. Our needs for capital also vary, and we depend on short-term loans to meet those needs when profits or other cash sources are inadequate. However, loans are costly and must be repaid; thus, our objective is to rely on reinvested profits as our main source of capital.

Meeting our profit objective requires that we design and develop each and every product so that it is considered a good value by our customers, yet is priced to include an adequate profit. Maintaining this competitiveness in the marketplace also requires that we perform our manufacturing, marketing and administrative functions as economically as possible.

Profit is not something that can be put off until tomorrow; it must be achieved today. It means that myriad jobs be done correctly and efficiently. The day-to-day performance of each individual adds to—or subtracts from—our profit. Profit is the responsibility of all.

2. CUSTOMERS

OBJECTIVE: To provide products and services of the highest quality and the greatest possible value to our customers, thereby gaining and holding their respect and loyalty.

The continued growth and success of our com-

Hewlett-Packard (continued)

pany will be assured only if we offer our customers innovative products that fill real needs and provide lasting value, and that are supported by a wide variety of useful services, both before and after sale.

Satisfying customer needs requires the active participation of everyone in the company. It demands a total commitment to *quality*, a commitment that begins in the laboratory and extends into every phase of our operations. Products must be designed to provide superior performance and long, trouble-free service. Once in production, these products must be manufactured at a reasonable cost and with superior workmanship.

Careful attention to quality not only enables us to meet or exceed customer expectations, but it also has a direct and substantial effect on our operating costs and profitability. Doing a job right the first time, and doing it consistently, sharply reduces costs and contributes significantly to higher productivity and profits.

Once a quality product is delivered to the customer, it must be supported with prompt, efficient services of the same high quality.

Good communications are essential to an effective field sales effort. Because of our broad and growing line of products, very often several sales teams will be working with a single customer. These teams must work closely to assure that the products recommended best fulfill the customer's overall, long-term needs. Moreover, HP customers must feel that they are dealing with one company, a company with common policies and services, and one that has a clear understanding of their needs and a genuine interest in providing proper, effective solutions to their problems.

3. FIELDS OF INTEREST

OBJECTIVE: To build on our strengths in the company's traditional fields of interest, and to enter new fields only when it is consistent with the basic purpose of our business and when we can assure ourselves of making a needed and profitable contribution to the field.

Our company's growth has been generated by a strong commitment to research and development, and has been accomplished in two ways—first, by

providing a steady flow of new products to markets in which we are already well established and second, by expanding our technology into fields that are new but related to our traditional ones. The evolution of the HP product line is a reflection of this two-dimensional growth.

Our first products were electronic measuring instruments used primarily by engineers and scientists. In time we extended our range of products to include solid-state components, and instrumentation for the fields of medicine and chemical analysis. Recognizing our customers' needs to gather and assimilate large quantities of measurement data, we developed a family of computers to complement HP measuring devices. By linking measurement and computational technologies, we gained added strength in our traditional, technically-oriented markets and began to serve the broader needs of business and industry.

Today, the interactive capabilities of Hewlett-Packard instruments and systems enable our customers—decision makers in business as well as in technical fields—to gain ready access to essential information, to put it into meaningful form, and to use it effectively in improving the productivity of themselves and their organizations. Helping these customers achieve better results is the unifying purpose of our business. The areas we serve build on each other to add strength to our company and provide additional values to our customers. This guides our interests, our organization and our marketing philosophy.

The broad scope of HP technology often provides opportunities for our company to expand into new fields. Before entering a new field, however, we must satisfy ourselves that it is consistent with our business purpose and that it affords us the opportunity to make a significant *contribution*. This requires that we have not only the technology to create truly innovative and needed products, but that we also have the capability to manufacture and market them effectively and at a reasonable profit.

4. GROWTH

OBJECTIVE: To let our growth be limited only by our profits and our ability to develop and produce innovative products that satisfy real customer needs.

Hewlett-Packard (continued)

How large should a company become? Some people feel that when it has reached a certain size there is no point in letting it grow further. Others feel that bigness is an objective in itself. We do not believe that large size is important for its own sake; however, for at least two basic reasons, continuous growth in sales and profits is essential for us to achieve our other objectives.

In the first place, we serve a dynamic and rapidly growing segment of our technological society. To remain static would be to lose ground. We cannot maintain a position of strength and leadership in our fields without sustained and profitable growth.

In the second place, growth is important in order to attract and hold high caliber people. These individuals will align their future only with a company that offers them considerable opportunity for personal progress. Opportunities are greater and more challenging in a growing company.

5. OUR PEOPLE

OBJECTIVE: To help HP people share in the company's success which they make possible; to provide job security based on their performance; to insure them a safe and pleasant work environment; to recognize their individual achievements; and to help them gain a sense of satisfaction and accomplishment from their work.

We are proud of the people we have in our organization, their performance, and their attitude toward their jobs and toward the company. The company has been built around the individual, the personal dignity of each, and the recognition of personal achievements.

Relationships within the company depend upon a spirit of cooperation among individuals and groups, and an attitude of trust and understanding on the part of managers toward their people. These relationships will be good only if employees have faith in the motives and integrity of their peers, supervisors and the company itself.

On occasion, situations will arise where people have personal problems which temporarily affect their performance or attitude, and it is important that people in such circumstances be treated with sympathy and understanding while the problems are being resolved.

Job security is an important HP objective. Over the years, the company has achieved a steady growth in employment by consistently developing good new products, and by avoiding the type of contract business that requires hiring many people, then terminating them when the contract expires. The company wants HP people to have stable, long-term careers—dependent, of course, upon satisfactory job performance.

Another objective of HP's personnel policies is to enable people to share in the company's success. This is reflected in a pay policy and in employee benefit programs that place us among the leaders in our industry.

There is also a strong commitment at HP to the concept of equal opportunity and affirmative action, not only in hiring but also in providing opportunities for advancement. Advancement is based solely upon individual initiative, ability and demonstrated accomplishment. Since we promote from within whenever possible, managers at all levels must concern themselves with the proper development of their people, and should give them ample opportunity—through continuing programs of training and education—to broaden their capabilities and prepare themselves for more responsible jobs.

The physical well-being of our people has been another important concern of HP's since the company's founding. With the growing complexity and diversity of our research and manufacturing processes, we must be especially vigilant in maintaining a safe and healthful work environment.

We want people to enjoy their work at HP and to be proud of their accomplishments. This means we must make sure that each person receives the recognition he or she needs and deserves. In the final analysis, people at all levels determine the character and strength of our company.

6. MANAGEMENT

OBJECTIVE: To foster initiative and creativity by allowing the individual great freedom of action in attaining well-defined objectives.

In discussing HP operating policies, we often refer to the concept of "management by objective." By this we mean that, insofar as possible, each individ-

Hewlett-Packard (continued)

ual at each level in the organization should make his or her own plans to achieve company objectives and goals. After receiving supervisory approval, each individual should be given a wide degree of freedom to work within the limitations imposed by these plans, and by our general corporate policies. Finally, each person's performance should be judged on the basis of how well these individually established goals have been achieved.

The successful practice of "management by objective" is a two-way street. Management must be sure that each individual understands the immediate objectives, as well as corporate goals and policies. Thus a primary HP management responsibility is communication and mutual understanding. Conversely, employees must take sufficient interest in their work to want to plan it, to propose new solutions to old problems, to stick their necks out when they have something to contribute. "Management by objective," as opposed to management by directive, offers opportunity for individual freedom and contribution; it also imposes an obligation for everyone to exercise initiative and enthusiasm.

In this atmosphere it is important to recognize that cooperation between individuals and between operating units is essential to our growth and success. Although our operations are decentralized, we are a *single* company whose overall strength is derived from mutually helpful relationships and frequent interaction among our dispersed but interdependent units.

It is important, as well, for everyone to recognize there are some policies which must be established and maintained on a company-wide basis. We welcome recommendations on these company-wide policies from all levels, but we expect adherence to them at all times.

7. CITIZENSHIP

OBJECTIVE: To honor our obligations to society by being an economic, intellectual and social asset to each nation and each community in which we operate.

All of us should strive to improve the environment in which we live. As a corporation operating in many different communities throughout the world, we must make sure that each of these communities is better for our presence. This means identifying our inter-

ests with those of the community; it means applying the highest standards of honesty and integrity to all our relationships with individuals and groups; it means enhancing and protecting the physical environment, building attractive plants and offices of which the community can be proud; it means contributing talent, time and financial support to worthwhile community projects.

Each community has its particular set of social problems. Our company must help to solve these problems. As a major step in this direction, we must strive to provide worthwhile employment opportunities for people of widely different backgrounds. Among other things, this requires positive action to seek out and employ members of disadvantaged groups, and to encourage and guide their progress toward full participation at all position levels.

As citizens of their community, there is much that HP people can and should do to improve it—either working as individuals or through such groups as churches, schools, civic or charitable organizations. In a broader sense, HP's "community" also includes a number of business and professional organizations, such as engineering and scientific societies, whose interests are closely identified with those of the company and its individual employees. These, too, are deserving of our support and participation. In all cases, supervisors should encourage HP people to fulfill their personal goals and aspirations in the community as well as attain their individual objectives within HP.

At a national level, it is essential that the company be a good corporate citizen of each country in which it operates. Moreover, our employees, as individuals, should be encouraged to help in finding solutions to national problems by contributing their knowledge and talents.

The betterment of our society is not a job to be left to a few; it is a responsibility to be shared by all.

The Norton Company

This expression of Norton's corporate mission reflects goals and means of achievement for which the company will be accountable to its many publics.

Norton intends to be a world leader through the profitable development, production and marketing of products and services that provide superior customer value.

Norton will be both a balanced and a coherent company: balanced among its various businesses so as to reduce vulnerability to competition and economic forces; coherent and logical in its structure so that there is a sense of consistency and clarity to the enterprise. Abrasives will continue to be a strong business within this structure.

To achieve its mission the Company will allocate its resources guided by the following objectives:

- Target efforts at long-term growth markets.
- Focus on those business opportunities that offer either enough volume or enough profit margin to support the investments necessary to build and maintain leadership positions.
- Give priority to investments that will provide the Company with a proprietary edge, a value added edge or a technological edge in the marketplace.
- Consider investments throughout the world, weighing opportunities and risks.
- Recognizing that the success of Norton depends on people, give special attention to the recruitment and development of human resources on a worldwide basis.

In order to fulfill this mission, Norton will continue to demonstrate a sense of responsibility to the public interest and to earn the respect and loyalty of its customers, employees, shareholders, suppliers and the communities in which it does business.

Bechtel

CORPORATE PURPOSE

To engage as a privately-owned enterprise on a world-wide basis in the business of engineering, construction and related activities, deriving therefrom a fair net income with due regard for maximum long-term profit growth, the satisfactions of constructive accomplishment and other rewards of quality performance.

OBJECTIVES

1 NATURE OF BUSINESS

To provide an integrated, comprehensive technical service as professional engineers, constructors and managers for selected industries and governmental entities in areas of the world where such service is needed.

To maintain a volume of work that results in optimum size for profitability and maximum effectiveness, thereby providing attractive corporate and individual opportunities, challenges and rewards.

To maintain an independent, objective position, taking a proprietary interest in patents and processes only to the extent that these do not conflict with objectivity and will serve the company's long-term interests.

2 PERFORMANCE

To cherish excellence in all we undertake by maintaining the competence of our service and the quality of its end products at the highest possible professional levels.

3 CLIENTELE

To attract and serve clients who are of high caliber in their respective industries, whose practices are compatible with our own and who may be regarded as sources of continuing business.

4 MANAGEMENT AND ORGANIZATION

To maintain an organizational structure in which top management provides leadership, establishes policy, does the long-range planning; and in which senior officers supervise client services and other line activities.

Bechtel (continued)

ties performed by divisions organized on an industry-service basis with project-oriented responsibility, and supporting staff work performed by function-oriented departments.

To achieve an organization which effectively renders the best possible service in each of its chosen fields, continually developing its capabilities and enjoying consistent growth in profitability and accomplishment.

To maintain flexibility of organization in order to meet our corporate and client responsibilities and the changing requirements of our diverse operations.

5 PERSONNEL

To conduct our business recognizing that people are our most important resource by maintaining an environment in which the individual employee, through imagination, enthusiasm, hard work, knowledge and self-discipline can achieve tangible and intangible rewards commensurate with his performance.

To compensate employees fairly and to provide them with opportunities for advancement, financial growth, long-term careers and personal satisfaction.

To meet our personnel requirements by finding the best available person for each position, placing strong emphasis on employee development and promotion from within but, when necessary, employing well-qualified people from outside the organization.

6 OWNERSHIP AND CONTROL

To continue ownership and control of the company with those who are active in its management.

To structure, finance and operate the business in a manner that gives maximum freedom from outside control, supervision, restrictions, and interference.

7 PROFIT

To earn a fair profit commensurate with the quality and extent of the services rendered and the risks taken. In so doing, to take into account the continuing development of our organization and its relationships with employees, clients, suppliers, subcontractors, the construction and other industries, government and the general public.

8 EMPLOYEE PROFIT-SHARING

To share the financial results of success with those who make possible that success, as an aid in attracting and retaining competent personnel, promoting good morale, and otherwise contributing to our progress as a dynamic organization.

9 DIVERSIFICATION

To be alert to new opportunities and to pursue activities in new and diverse fields, preferably bearing a logical relationship to engineering-construction, in order to maintain preeminence in a competitive environment subject to rapid and drastic change, and to derive optimum utilization of our financial and other resources.

10 PUBLIC AND GOVERNMENT RELATIONS

To exert positive effort in selected public, professional, industrial, and government sectors in order to foster goodwill and wider recognition of the organization's capabilities, to increase opportunities for new business, improve employee and community relations, and acquaint key people in government with company and industry views.

C

Excerpts from
In Search of Excellence: Lessons from America's Best Run Companies

This book was published in 1982 and written by Thomas Peters, with an engineering degree from Cornell and a Ph.D. in business from Stanford and experience in management and engineering as a principal of McKinsey and Company, and Robert Waterman, with a geophysical engineering degree from Colorado School of Mines, Masters of Business Administration from Stanford, also with management engineering experience at McKinsey. They spent a couple of years visiting, studying and coordinating depth interviews at 35 companies which both the record and public perception have established as business champions--IBM, Hewlett-Packard, Western Electric, United Technologies, Texas Instruments and Xerox in high tech; Eastman-Kodak, Johnson & Johnson, Frito-Lay, Proctor and Gamble in consumer goods; Caterpillar Tractor, Minnesota Mining Company, and Ingersoll-Rand in general industrial activity; Delta, Marriott, and McDonald's in service activity; Bechtel, Boeing and Fluor in project management; Exxon in resource exploitation. They looked less closely at another 29 hot companies including Hughes, Lockheed, TRW, Dow, Dupont, Merck, Polaroid, Disney, K-Mart and General Motors.

They identified these eight basic practices and attitudes characteristic of these enterprises.

1. A bias for action, for getting on with it. The standard operating procedure is "Do it, fix it, try it." Says a senior executive in Digital, "When we've got a big problem here, we grab ten senior guys and stick them in a room for a week. They come up with an answer and implement it." Moreover, the companies are experimenters supreme. The book brings out a large and striking array of practical devices the excellent companies employ, to maintain corporate fleetness of foot and counter the stultification that almost inevitably comes with size.

2. Close to the customer. These companies learn from the people they serve. They provide unparalleled quality, service, and reliability-- things that work and last. Everyone gets into the act. Many of the innovative companies got their best product ideas from customers. That comes from listening, intently and regularly.

3. Autonomy and entrepreneurship. The innovative companies foster many leaders and many innovators throughout the organization. 3M has been described as "so intent on innovation that its essential atmosphere seems not like that of a large corporation but rather a loose network of laboratories and cubbyholes populated by feverish inventors and dauntless entrepreneurs who let their imaginations fly in all directions." They don't try to hold everyone on so short a rein that he can't be creative. They encourage practical risk taking, and support good tries. They follow a ninth commandment: "Make sure you generate a reasonable number of mistakes."

4. Productivity through people. The excellent companies treat the rank and file as the root source of quality and productivity gain. They do not foster we/they labor attitudes or regard capital investment as the fundamental source of efficiency improvement. At Texas Instruments, every worker is "seen as a source of ideas, not just acting as a pair of hands"; each of more than 9,000 People Involvement Program teams has contributed to the company's sparkling productivity record.

5. Hands-on, value driven. Thomas Watson, Jr., said that "the basic philosophy of an organization has far more to do with its achievements than do technological or economic resources, organizational structure, innovation and timing."

6. Stick to the knitting. The odds for excellent performance seem strongly to favor those companies that stay reasonably close to businesses they know.

7. Simple form, lean staff. The underlying structural forms and systems in the excellent companies are elegantly simple. Top-level staffs are lean; it is not uncommon to find a corporate staff of fewer than 100 people running multi-billion-dollar enterprises.

8. Simultaneous loose-tight properties. The excellent companies are both centralized and decentralized. For the most part, they have pushed autonomy down to the shop floor or product development team. On the other hand, they are fanatic centralists around the few core values they hold dear.

These excellent companies live their commitment to people, as they also do their preference for action--any action--over countless standing committees and endless 500-page studies, their fetish about quality and service standards that others, using optimization techniques, would consider pipe dreams; and their insistence on regular initiative (practical autonomy) from tens of thousands, not just 200 designated \$75,000-a-year thinkers. Above all, the intensity itself, stemming from strongly held beliefs, marks these companies. They demand quick action, service to customers, practical innovation, and recognition of the fact that you can't get any of these without virtually everyone's commitment. They are very far removed from silent board rooms marked by dim lights, somber presentations, rows of staffers lined up along the walls with calculators glowing, and the endless click of the slide projector as analysis after analysis lit up the screen.

Themes and Attitudes

The specific content of the dominant beliefs of the excellent companies is narrow in scope, including just a few basic values:

1. A belief in being the "best."
2. A belief in the importance of the details of execution, the nuts and bolts of doing the job well.
3. A belief in the importance of people as individuals.
4. A belief in superior quality and service.
5. A belief that most members of the organization should be innovators, and its corollary, the willingness to support failure.
6. A belief in the importance of informality to enhance communication.
7. Explicit belief in and recognition of the importance of economic growth and profits.

At Dana Corporation, 22 inches of policy manuals were destroyed and replaced by a simple one-page statement of philosophy. It reads in the main:

-- Nothing more effectively involves people, sustains credibility or generates enthusiasm than face to face communication. It is critical to provide and discuss all organization performance figures with all of our people.

-- We have an obligation to provide training and the opportunity for development to our productive people who want to improve their skills, expand their career opportunities or simply further their general education.

-- It is essential to provide job security for our people.

-- Create incentive programs that rely on ideas and suggestions, as well as on hard work, to establish a reward pool.

Corporate staff was reduced from 500 to 100 and the number of layers in the organization from eleven to five. Ads were run in the house organ like "Talk Back to the Boss," another: "Ask Dumb Questions."

Intelligence purpose is recognized as the essential task of management and leadership. The statement of basic purpose reflected in re-emphasized tasking and all communications is the primary vehicle for achieving this. The excellent companies tap the inherent worth of the task as a source of intrinsic motivation for their employees. Teams and divisions set their own goals. Virtually all of the excellent companies are driven by just a few key values, and then give lots of space to employees to take initiatives in support of those values--finding their own paths, and so making the task and its outcome their own.

Try anything that has promise and half a chance. Advancement takes place only when we do something: test market, stick a jury-rig device on an operating production line, test a new sales promotion on 50,000 subscribers. A scientific paper or a staff report can have impeccable logic and present an immaculate appearance yet reproduce little or nothing of the intuitive leaps, false starts, mistakes, loose ends, and happy accidents that can produce action and get a result.